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UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY

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WEIMIN HU,

Plaintiff,

v.

KAIHUA CAI, LIMAN HU AND CAI RESEARCH, LLC,

Defendants.

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**ANSWER**

Civil Action No. 14-cv-6914  
(ES) (MAH)

Defendants, Kaihua Cai, Liman Hu and CAI Research, LLC ("Defendants") by their attorneys, Bond, Schoeneck & King, PLLC, answers the Verified Complaint as follows:

**NATURE OF THE ACTION**

1. Deny the allegations of paragraph 1 of the Verified Complaint.
2. Deny the allegations of paragraph 2 of the Verified Complaint.
3. Deny the allegations of paragraph 3 of the Verified Complaint.
4. Deny the allegations of paragraph 4 of the Verified Complaint.

**JURISDICTION**

5. Deny the allegations of paragraph 5 of the Verified Complaint.
6. Deny the allegations of paragraph 6 of the Verified Complaint.
7. Deny the allegations of paragraph 7 of the Verified Complaint.

8. Neither admit nor deny the allegations of paragraph 8 of the Verified Complaint as it does not contain any factual averments.

9. Admit the allegations of paragraph 9 of the Verified Complaint.

10. Admit the allegations of paragraph 10 of the Verified Complaint.

### **PARTIES**

11. Deny the allegations of paragraph 11 of the Verified Complaint.

12. Deny the allegations of paragraph 12 of the Verified Complaint, except admit Mr. Cai was a resident of New Jersey until October 2013 when he moved to Great Neck, New York and that he is employed at AppNexus as a data scientist.

13. Deny the allegations of paragraph 13 of the Verified Complaint.

14. Deny the allegations of paragraph 14 of the Verified Complaint, except admit that Mr. Cai's connections on the LinkedIn.com website endorsed him as having most or all of the skills described in paragraph 14.

15. Deny the allegations of paragraph 15 of the Verified Complaint, deny that Liman Hu uses the name "Ms. Cai" and admit Liman Hu is Mr. Cai's wife and is commonly known as "Mimi".

16. Admit the allegations of paragraph 16 of the Verified Complaint.

17. Deny the allegations of paragraph 17 of the Verified Complaint.

### **GENERAL ALLEGATIONS**

18. Deny the allegations of paragraph 18 of the Verified Complaint.

19. Deny the allegations of paragraph 19 of the Verified Complaint.

20. Deny the allegations of paragraph 20 of the Verified Complaint.

21. Deny the allegations of paragraph 21 of the Verified Complaint, except admit Mr. Cai's Ph.D. thesis is entitled Dispersive Properties of Schrodinger Equations.

22. Deny knowledge or information sufficient to form a belief as to the allegations of paragraph 22 of the Verified Complaint.

23. Deny the allegations of paragraph 23 of the Verified Complaint, except admit Mr. Cai has studied game theory.

24. Deny the allegations of paragraph 24 of the Verified Complaint.

25. Deny the allegations of paragraph 25 of the Verified Complaint.

26. Deny the allegations of paragraph 26 of the Verified Complaint, except admit no Cayman fund ever existed.

27. Deny the allegations of paragraph 27 of the Verified Complaint.

28. Deny the allegations of paragraph 28 of the Verified Complaint, except admit certain fund were wired to the bank account of Cai Research.

29. Deny the allegations of paragraph 29 of the Verified Complaint, except admit Mr. Hu demanded return of part of the sum wired to the bank account of Cai Research.

30. Deny the allegations of paragraph 30 of the Verified Complaint, except admit that none of the money Mr. Hu arranged to be wired to Cai Research has been returned.

31. Deny the allegations of paragraph 31 of the Verified Complaint, except admit no accounting was provided.

32. Deny the allegations of paragraph 32 of the Verified Complaint.

33. Deny the allegations of paragraph 33 of the Verified Complaint.

34. Deny the allegations of paragraph 34 of the Verified Complaint.
35. Deny the allegations of paragraph 35 of the Verified Complaint.
36. Deny the allegations of paragraph 36 of the Verified Complaint.
37. Deny the allegations of paragraph 37 of the Verified Complaint.
38. Admit the allegations of paragraph 38 of the Verified Complaint.
39. Deny the allegations of paragraph 39 of the Verified Complaint.
40. Deny the allegations of paragraph 40 of the Verified Complaint, except admit Liman Hu had no written employment agreement with Cai Research.
41. Admit the allegations of paragraph 41 of the Verified Complaint.
42. Deny the allegations of paragraph 42 of the Verified Complaint, except admit the Defendants argued that there was no basis for the assertion of personal jurisdiction in New York.
43. Deny the allegations of paragraph 43 of the Verified Complaint, except admit the Defendants purchased a home in Great Neck, New York in August 2013.
44. Deny the allegations of paragraph 44 of the Verified Complaint, except deny knowledge or information sufficient to form a belief as to Plaintiff's action concerning the Initial Case.
45. Deny the allegations of paragraph 44 of the Verified Complaint.

### **COUNT I**

#### **(Declaratory Judgment That the Loan Is Not a Gift as Against All Defendants)**

46. Repeat and re-allege their answers to paragraphs 1 through 45 of the Verified Complaint in response to paragraph 46 of the First Count.

47. Neither admit nor deny the allegations of paragraph 47 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

48. Deny the allegations of paragraph 48 of the Verified Complaint and specifically deny the allegation that any Loan was ever made to the Defendants by Plaintiff.

49. Neither admit nor deny the allegations of paragraph 49 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

50. Neither admit nor deny the allegations of paragraph 50 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

51. Neither admit nor deny the allegations of paragraph 51 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

52. Deny the allegations of paragraph 52 of the Verified Complaint.

53. Deny the allegations of paragraph 53 of the Verified Complaint.

## **COUNT II**

### **(Breach of Contract Causing Damage to Mr. Hu as Against All Defendants)**

54. Repeat and re-allege their answers to paragraphs 1 through 53 of the Verified Complaint in response to paragraph 54 of the Second Count.

55. Deny the allegations of paragraph 55 of the Verified Complaint.

56. Deny the allegations of paragraph 56 of the Verified Complaint.

57. Deny the allegations of paragraph 57 of the Verified Complaint.

58. Deny the allegations of paragraph 58 of the Verified Complaint.

### **COUNT III**

#### **(Contract Rescission as Against All Defendants)**

59. Repeat and re-allege their answers to paragraphs 1 through 58 of the Verified Complaint in response to paragraph 59 of the Third Count.

60. Deny the allegations of paragraph 60 of the Verified Complaint.

61. Deny the allegations of paragraph 61 of the Verified Complaint.

62. Deny the allegations of paragraph 62 of the Verified Complaint.

63. Deny the allegations of paragraph 63 of the Verified Complaint.

64. Deny the allegations of paragraph 64 of the Verified Complaint.

### **COUNT IV**

#### **(Contract Performance Interfered with by All Defendants)**

65. Repeat and re-allege their answers to paragraphs 1 through 64 of the Verified Complaint in response to paragraph 65 of the Fourth Count.

66. Deny the allegations of paragraph 66 of the Verified Complaint.

67. Deny the allegations of paragraph 67 of the Verified Complaint.

68. Deny the allegations of paragraph 68 of the Verified Complaint.

### **COUNT V**

#### **(Consideration Returned Where Contract Performance Is Impracticable as Against All Defendants)**

69. Repeat and re-allege their answers to paragraphs 1 through 68 of the Verified Complaint in response to paragraph 69 of the Fifth Count.

70. Deny the allegations of paragraph 70 of the Verified Complaint, except admit no Cayman fund was established.

71. Deny the allegations of paragraph 71 of the Verified Complaint.

72. Deny the allegations of paragraph 72 of the Verified Complaint.

## **COUNT VI**

### **(Unjust Enrichment as Against All Defendants)**

73. Repeat and re-allege their answers to paragraphs 1 through 72 of the Verified Complaint in response to paragraph 73 of the Sixth Count.

74. Deny the allegations of paragraph 74 of the Verified Complaint.

75. Deny the allegations of paragraph 75 of the Verified Complaint.

76. Deny the allegations of paragraph 76 of the Verified Complaint.

77. Deny the allegations of paragraph 77 of the Verified Complaint, except admit no Cayman fund was established.

78. Deny the allegations of paragraph 78 of the Verified Complaint.

79. Deny the allegations of paragraph 79 of the Verified Complaint.

## **COUNT VII**

### **(Business Information Misrepresented as Against All Defendants)**

80. Repeat and re-allege their answers to paragraphs 1 through 80 of the Verified Complaint in response to paragraph 80 of the Seventh Count.

81. Deny the allegations of paragraph 81 of the Verified Complaint.

82. Deny the allegations of paragraph 82 of the Verified Complaint.

83. Deny the allegations of paragraph 83 of the Verified Complaint.

84. Deny the allegations of paragraph 84 of the Verified Complaint.

85. Deny the allegations of paragraph 85 of the Verified Complaint.

**COUNT VIII**

**(Corporate Officer Participating In Tort as Against Mr. Cai and Ms. Cai)**

86. Repeat and re-allege their answers to paragraphs 1 through 85 of the Verified Complaint in response to paragraph 86 of the Eighth Count.

87. Deny the allegations of paragraph 87 of the Verified Complaint.

88. Deny the allegations of paragraph 88 of the Verified Complaint.

89. Deny the allegations of paragraph 89 of the Verified Complaint.

90. Deny the allegations of paragraph 90 of the Verified Complaint.

91. Deny the allegations of paragraph 91 of the Verified Complaint.

**COUNT IX**

**(Conspiracy to Commit Tort as Against All Defendants)**

92. Repeat and re-allege their answers to paragraphs 1 through 91 of the Verified Complaint in response to paragraph 92 of the Ninth Count.

93. Deny the allegations of paragraph 93 of the Verified Complaint.

94. Deny the allegations of paragraph 94 of the Verified Complaint.

95. Deny the allegations of paragraph 95 of the Verified Complaint.

96. Deny the allegations of paragraph 96 of the Verified Complaint.

97. Deny the allegations of paragraph 97 of the Verified Complaint.

**COUNT X**

**(Avoid the Corporate Liability Shield of Cai Research And Assess Personal Liability Against Mr. Cai and Ms. Cai for Cai Research's Actions)**

98. Repeat and re-allege their answers to paragraphs 1 through 97 of the Verified Complaint in response to paragraph 97 of the Tenth Count.



99. Deny knowledge or information sufficient to form a belief as to the allegations of paragraph 99 of the Verified Complaint.

100. Neither admit nor deny the allegations of paragraph 100 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

101. Neither admit nor deny the allegations of paragraph 101 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

102. Deny the allegations of paragraph 102 of the Verified Complaint.

103. Deny knowledge or information sufficient to form a belief as to the allegations of paragraph 103 of the Verified Complaint.

104. Deny the allegations of paragraph 104 of the Verified Complaint.

105. Deny the allegations of paragraph 105 of the Verified Complaint.

106. Deny the allegations of paragraph 106 of the Verified Complaint.

107. Deny the allegations of paragraph 107 of the Verified Complaint.

108. Deny the allegations of paragraph 108 of the Verified Complaint.

109. Neither admit nor deny the allegations of paragraph 109 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

## **COUNT XI**

### **(Aiding in the Commission of Tort as Against All Defendants)**

110. Repeat and re-allege their answers to paragraphs 1 through 109 of the Verified Complaint in response to paragraph 110 of the Eleventh Count.

- 111. Deny the allegations of paragraph 111 of the Verified Complaint.
- 112. Deny the allegations of paragraph 112 of the Verified Complaint.
- 113. Deny the allegations of paragraph 113 of the Verified Complaint.
- 114. Deny the allegations of paragraph 114 of the Verified Complaint.
- 115. Deny the allegations of paragraph 115 of the Verified Complaint.
- 116. Deny the allegations of paragraph 116 of the Verified Complaint.
- 117. Deny the allegations of paragraph 117 of the Verified Complaint.
- 118. Deny the allegations of paragraph 118 of the Verified Complaint.

## **COUNT XII**

### **(Tort of Negligently Caused Economic Loss as Against All Defendants)**

- 119. Repeat and re-allege their answers to paragraphs 1 through 118 of the Verified Complaint in response to paragraph 119 of the Twelfth Count.
- 120. Deny the allegations of paragraph 120 of the Verified Complaint.
- 121. Deny the allegations of paragraph 121 of the Verified Complaint.
- 122. Deny the allegations of paragraph 122 of the Verified Complaint.
- 123. Deny the allegations of paragraph 123 of the Verified Complaint.

## **COUNT XIII**

### **(Punitive Damages Due From Tortfeasor as Against All Defendants)**

- 124. Repeat and re-allege their answers to paragraphs 1 through 123 of the Verified Complaint in response to paragraph 124 of the Thirteenth Count.
- 125. Deny the allegations of paragraph 125 of the Verified Complaint.
- 126. Deny the allegations of paragraph 126 of the Verified Complaint.
- 127. Deny the allegations of paragraph 127 of the Verified Complaint.

128. Deny the allegations of paragraph 128 of the Verified Complaint.

129. Deny the allegations of paragraph 129 of the Verified Complaint.

#### **COUNT XIV**

##### **(Reliance on Another's Conduct as Against All Defendants)**

130. Repeat and re-allege their answers to paragraphs 1 through 129 of the Verified Complaint in response to paragraph 130 of the Fourteenth Count.

131. Deny knowledge or information sufficient to form a belief as to the allegations of paragraph 131 of the Verified Complaint.

132. Deny the allegations of paragraph 132 of the Verified Complaint.

133. Deny the allegations of paragraph 133 of the Verified Complaint.

134. Deny the allegations of paragraph 134 of the Verified Complaint.

135. Deny knowledge or information sufficient to form a belief as to the allegations of paragraph 135 of the Verified Complaint.

136. Deny the allegations of paragraph 136 of the Verified Complaint.

#### **COUNT XV**

##### **(Fraudulent Concealment by Fiduciary as Against Mr. Cai and Ms. Cai)**

137. Repeat and re-allege their answers to paragraphs 1 through 136 of the Verified Complaint in response to paragraph 137 of the Fifteenth Count.

138. Neither admit nor deny the allegations of paragraph 138 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

139. Neither admit nor deny the allegations of paragraph 139 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

140. Neither admit nor deny the allegations of paragraph 140 of the Verified Complaint as it contains a statement of law that does not necessitate a response. To the extent any facts are alleged requiring a response, Defendants deny same.

141. Deny the allegations of paragraph 141 of the Verified Complaint.

142. Deny the allegations of paragraph 142 of the Verified Complaint.

143. Deny the allegations of paragraph 143 of the Verified Complaint.

144. Deny the allegations of paragraph 144 of the Verified Complaint.

#### **COUNT XVI**

##### **(Tort of Fraud by Others Outside Loan as Against All Defendants)**

145. Repeat and re-allege their answers to paragraphs 1 through 144 of the Verified Complaint in response to paragraph 145 of the Sixteenth Count.

146. Deny the allegations of paragraph 146 of the Verified Complaint.

147. Deny the allegations of paragraph 147 of the Verified Complaint.

148. Deny the allegations of paragraph 148 of the Verified Complaint.

#### **COUNT XVII**

##### **(Promise Causing Detrimental Reliance as Against All Defendants)**

149. Repeat and re-allege their answers to paragraphs 1 through 148 of the Verified Complaint in response to paragraph 149 of the Seventeenth Count.

150. Deny the allegations of paragraph 150 of the Verified Complaint.

151. Deny the allegations of paragraph 151 of the Verified Complaint.

152. Deny the allegations of paragraph 152 of the Verified Complaint.

153. Deny the allegations of paragraph 153 of the Verified Complaint.

154. Deny the allegations of paragraph 154 of the Verified Complaint.

#### **COUNT XVIII**

##### **(Anticipatory Breach of Contract as Against Cai Research and Derivatively Against Mr. Cai and Ms. Cai)**

155. Repeat and re-allege their answers to paragraphs 1 through 154 of the Verified Complaint in response to paragraph 155 of the Eighteenth Count.

156. Deny the allegations of paragraph 156 of the Verified Complaint.

157. Deny the allegations of paragraph 157 of the Verified Complaint.

158. Deny the allegations of paragraph 158 of the Verified Complaint.

159. Deny the allegations of paragraph 159 of the Verified Complaint.

160. Deny the allegations of paragraph 160 of the Verified Complaint.

161. Deny the allegations of paragraph 161 of the Verified Complaint.

#### **COUNT XIX**

##### **(Conversion as Against All Defendants)**

162. Repeat and re-allege their answers to paragraphs 1 through 161 of the Verified Complaint in response to paragraph 162 of the Nineteenth Count.

163. Deny the allegations of paragraph 163 of the Verified Complaint.

164. Deny the allegations of paragraph 164 of the Verified Complaint.

165. Deny the allegations of paragraph 165 of the Verified Complaint.

166. Deny the allegations of paragraph 166 of the Verified Complaint, except admit Defendants contend they have no obligation to return the monies wired to Cai Research.

167. Deny the allegations of paragraph 167 of the Verified Complaint.

168. Deny the allegations of paragraph 168 of the Verified Complaint.

169. Deny the allegations of paragraph 169 of the Verified Complaint.

170. Deny the allegations of paragraph 170 of the Verified Complaint.

171. Deny the allegations of paragraph 171 of the Verified Complaint.

172. Deny the allegations of paragraph 172 of the Verified Complaint.

### **COUNT XX**

#### **(Constructive Fraud in Contract as Against Cai Research and Derivatively Against Mr. Cai and Ms. Cai)**

173. Repeat and re-allege their answers to paragraphs 1 through 172 of the Verified Complaint in response to paragraph 173 of the Twentieth Count.

174. Deny the allegations of paragraph 174 of the Verified Complaint.

175. Deny the allegations of paragraph 175 of the Verified Complaint.

### **COUNT XXI**

#### **(Intentional Fraud Causing Damages As Against All Defendants)**

176. Repeat and re-allege their answers to paragraphs 1 through 175 of the Verified Complaint in response to paragraph 176 of the Twenty-First Count.

177. Deny the allegations of paragraph 177 of the Verified Complaint.

178. Deny the allegations of paragraph 178 of the Verified Complaint.

179. Deny the allegations of paragraph 179 of the Verified Complaint.

180. Deny the allegations of paragraph 180 of the Verified Complaint.

181. Deny the allegations of paragraph 181 of the Verified Complaint.

182. Deny knowledge or information sufficient for form a belief as to the allegations of paragraph 182 of the Verified Complaint.

183. Deny the allegations of paragraph 183 of the Verified Complaint.

184. Deny the allegations of paragraph 184 of the Verified Complaint.

185. Deny the allegations of paragraph 185 of the Verified Complaint.

**COUNT XXII**

**(Plead in the Alternative Pursuant to F.R.C.P.8 –  
Even If The Loan Was an Equity Investment in Cai Research,  
Rescission Should Be Granted as Against All  
Defendants and Loan Proceeds Returned to Mr. Hu)**

186. Repeat and re-allege their answers to paragraphs 1 through 185 of the Verified Complaint in response to paragraph 176 of the Twenty-Second Count.

187. Deny the allegations of paragraph 187 of the Verified Complaint and respectfully refer the Court to Defendants' filings in the so-called Related Action for a full and accurate rendition of Defendants' statements in said action.

188. Deny the allegations of paragraph 188 of the Verified Complaint.

189. Deny the allegations of paragraph 189 of the Verified Complaint.

190. Deny the allegations of paragraph 190 of the Verified Complaint, except admit no stock or membership interest was provided as none was due.

191. Deny the allegations of paragraph 191 of the Verified Complaint.

192. Deny the allegations of paragraph 192 of the Verified Complaint.

193. Deny the allegations of paragraph 193 of the Verified Complaint.

194. Deny the allegations of paragraph 194 of the Verified Complaint.

195. Deny the allegations of paragraph 195 of the Verified Complaint.

## **AFFIRMATIVE DEFENSES**

### **AS AND FOR A FIRST AFFIRMATIVE DEFENSE**

196. Plaintiff's claims are barred in whole or in part by the doctrine of unclean hands.

### **AS AND FOR A SECOND AFFIRMATIVE DEFENSE**

197. Plaintiff lacks standing to assert claims for monies that were wired to the bank account of Cai Research, LLC in New Jersey by, or in the name of, individuals other than the plaintiff himself.

### **AS AND FOR A THIRD AFFIRMATIVE DEFENSE**

198. This action should be dismissed in equity and good conscience because there are required parties who, upon information and belief, reside in China, and who should be joined to this action but cannot be joined. Those parties are the individuals, other than the plaintiff, who wired money to the bank account of Cai Research LLC.

### **AS AND FOR A FOURTH AFFIRMATIVE DEFENSE**

199. Plaintiff's claims are barred by the doctrine of equitable estoppel in that the defendants reasonably relied to their detriment upon the acts and promises of the plaintiff, including that plaintiff did not expect repayment of any sums he provided in connection with the funding of defendants' start-up trading enterprise.

### **AS AND FOR A FIFTH AFFIRMATIVE DEFENSE**

200. Any monetary costs, sums or penalties the defendants may incur as a result of any acts by the New Jersey Department of Labor should be offset against any amount plaintiff can recover in this action, as any such costs, sums or penalties derive from the individual defendants' agreement to honor plaintiff's request to have his son



Miao Hu come live with the individual defendants in New Jersey in order to learn about the start-up enterprise.

**AS AND FOR A SIXTH AFFIRMATIVE DEFENSE**

201. Plaintiff has failed to plead fraud with the necessary degree of particularity and accordingly any and all claims sounding in fraud should be dismissed.

**AS AND FOR A SEVENTH AFFIRMATIVE DEFENSE**

202. The complaint should be dismissed as it fails to state a claim for which relief can be granted.

WHEREFORE, Defendants demand judgment dismissing the Complaint, together with their costs and attorneys' fees incurred in this matter, and such other relief as the Court deems just and proper.

Dated: December 18, 2014

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